[Mr. R. Nilakanta Pillai.]

practice has been to invest in Government of India Securities the whole of the uninvested balance to the credit of the Fund every year. The uninvested balance for the current year amounts to Rs 80,400. It has been thought advisable to invest this balance in the State 5 per cent. notes, to the extent possible instead of going in for Government of India Securities. Government have accordingly begun to purchase at par 5 per cent. State Pro-notes for the Sinking Fund and so far notes of the face value of Bh. Rs. 50,000 have been obtained. The arrangement appears popular among the small investors and they readily part with their holdings in return for immediate cash. The number of small investors is however few. Exclusive of the investments in the State 5 per cent. loan, the rest of the Sinking Fund balance up to the close of 1108 is invested in the Government of India Securities.

43. *State Life Insurance.—Public Branch.*—A scheme for a Public Insurance was recently sanctioned by Government. The premium tables are being examined once again and the scheme in its final form will be introduced early next year.

44. *The State Provident Fund.*—The State Provident Fund Scheme organised with effect from 1st Meenam 1107 with a view to provide facilities for Government Servants to invest a portion of their savings to serve as an asset at the time of retirement has proved to be popular and the number of subscribers to the Fund now stands at 4,300.

45. *Loans made by Government.*—An allotment of Rs 4 lakhs has been provided in the next year's budget for the grant of loans under the Land Improvement and Agricultural Loans Regulation including Rs 1 lakh for the grant of special loans to the Punja cultivators in Kuttanad. A provision of Rs 1 lakh for Industrial Loans and of another Rs 60 of a lakh for Miscellaneous Loans and Advances has also been made for the next year.

46. *Loan to the Port Conservancy Board, Cochin.*—The fourth stage of the Cochin Harbour works will be undertaken shortly and according to the tripartite agreement between Travancore, Cochin and British Government these works have to be financed in the first instance by money provided by the Government of Madras and the Governments of the two States. The estimated cost on account of the works for the year 1932-33 was forecasted at Rs 4·89 lakhs and the Travancore Government's share *viz*: Rs 1·63 lakhs has been disbursed to the Harbour authorities on a loan system by debit to Debt Head-Loans. The Loan to the Port Conservancy Board, Cochin, is on the following conditions:—

i. The loan will be free of interest up to 31st March 1943 and will bear interest thereafter at 5 per cent. per annum.

ii. It will be repaid in 60 half yearly equated payments of Rs. 5,274 (inclusive of interest) payable on 30th September and 31st March of each year, the first repayment becoming due on 30th September 1943.

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iii. Penal interest will be charged at 10 per cent. per annum on overdue instalments.

The estimated cost of works for 1933-34 is expected to stand at about Bh. Rs 30 lakhs and the share payable by this Government therefor works up to Bh. Rs 10 lakhs. This sum is provided in the budget for the ensuing year.

47. *Government Investments in gilt-edged securities.*—One feature of our investments in gilt-edged securities is that we are keeping in our books for several years past Government of India non-terminable 3½ per cent. securities to the extent of Rs 38,91,100 and 3 per cent. securities to the extent of Rs 12,00,600 at their face value. The price of the 3½ per cent. paper went so low as Bh. Rs 50·9 in October 1931 with the abandonment of the Gold Standard both in Great Britain and in India; and the price of the 3 per cent. paper went down proportionately with the fall in the price of the 3½ per cent. securities. Government were watching for some years past, the trend of prices of securities in the gilt-edged market so as to relieve themselves of these low priced non-terminable securities without heavy loss. An opportunity however presented itself for a very short period during the course of the current year with the announcement by the Government of India of the conversion of their 5 per cent. 1929-47 and 1933 loans to a new issue of the 4 per cent. 1960-70 loan on payment of a cash bonus of Bh. Rs 7-8-0 and Bh. Rs 8-8-0 respectively. Government held in these two loans a sum of Rs 26,79,600 (Rs 25,39,600 in the 5 per cent. 1929-47 and Rs 1,40,000 in the 5 per cent. 1933 loans). If the conversion terms of the Government of India were not accepted, the only alternative to the holders of these two classes of securities would have been to receive payment in cash for their holdings. Government however closed with the offer of the Government of India and converted all the above holdings into the terminable 4 per cent. 1960-70 loan. The loss of interest by one per cent. in this case was inevitable under the circumstances. This conversion brought in Bh. Rs 2,02,370 by way of premium or profits.

With the general fall in the rate of interest on Government of India loans and the consequent rise in price of heavy yielding securities, it was thought advisable to part with a portion of our tax-free investments as the 5 per cent. 1945-55 securities. Accordingly, Rs 5 lakhs of this paper which were originally purchased at Bh. Rs 95 and which were borne in our books at Bh. Rs 100 were sold at an average price of about Bh. Rs 109-12 and the sale proceeds less profit were reinvested in the new 3½ per cent. 1947-50 to the extent of Rs 2 lakhs at Bh. Rs 93-10 per cent. and in the 4 per cent. 1960-70 to the extent of Rs 3 lakhs at Bh. Rs 93-11 per cent. This transaction has brought in a profit of Bh. Rs 80,625. Thus on the whole we realised during the year a profit of Bh. Rs 2,82,995 or S. Rs 2,88,048 and this amount is exhibited on the revenue side of the budget under the head "IX.—Interest-Premium on the conversion and sale of Government of India Securities." This profit of Bh. Rs 2,82,995 was utilised in converting

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